

Message Text

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ORIGIN ARA-10

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TO AMEMBASSY NASSAU

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E.O. 11652: N/A

TAGS: EAID, IDB, BF

SUBJECT: BAHAMAS IDB MEMBERSHIP

1. RESPONDING TO BAHAMIAN AMBASSADOR'S EXPRESSION OF CONCERN LAST MONTH THAT USG MIGHT IMPOSE UNFAVORABLE CONDITIONS ON BAHAMAS IDB MEMBERSHIP AND ACCESS TO FSO (SOFT LOAN) FINANCING, DEPUTY ASSISTANT SECRETARY GRUNWALD, ON AUGUST 27, REVIEWED US POLICY WITH BAHAMIAN CHARGE (DRUDGE).

2. GRUNWALD SAID US WOULD NOT IMPOSE SUCH CONDITIONS BUT WOULD ACCEPT IDB POLICIES. RELATIVELY HIGH BAHAMIAN GNP MUST BE CONSIDERED BY IDB IN DETERMINING LOAN TERMS. IT SEEMS UNLIKELY, CONSIDERING BANK'S POLICIES AND PRACTICES THAT BAHAMIAN APPLICATION FOR FSO FINANCING WOULD COME BEFORE IDB BOARD. HOWEVER, IF THAT SHOULD HAPPEN, BAHAMIAN APPLICATION WOULD BE CONSIDERED LIKE THAT OF ANY OTHER MEMBER COUNTRY.

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3. BAHAMIAN CHARGE REPLIED THAT BAHAMAS HAS MANY ECONOMIC PROBLEMS DIFFERENT FROM OTHER CARIBBEAN COUNTRIES INCLUDING MARKED CONTRAST BETWEEN STANDARDS OF LIVING IN NASSAU AND OUT ISLANDS. UNLIKE TRINIDAD, WHICH HAS GAS AND OIL, AND JAMAICA, WHICH HAS BAUXITE, BAHAMAS HAS NO NATURAL RESOURCES EXCEPT SUN AND SEA. THESE FACTORS WOULD SEEM TO JUSTIFY FLEXIBLE ATTITUDE TOWARD CAPITAL LENDING TO BAHAMAS.

4. GRUNWALD SAID USG UNDERSTANDS PROBLEMS AND UNIQUE CHARACTER OF THE BAHAMIAN ECONOMY. THESE FACTORS WERE CONSIDERED IN ARRIVING AT OUR POLICY. THERE WILL BE NO DISCRIMINATION AGAINST THE BAHAMAS BUT WE WILL FOLLOW EXISTING BANK POLICY. GRUNWALD OFFERED AS PERSONAL OBSERVATION HIS SUPPORT FOR THE POSSIBILITY, PREVIOUSLY EXPRESSED BY AMBASSADOR JOHNSON, OF BAHAMIAN CONSIDERATION OF VOLUNTARILY REFRAINING FROM MAKING REQUESTS FOR FSO DOLLAR LOANS UNDER CURRENT ECONOMIC CIRCUMSTANCES, AS TRINIDAD HAS DONE. HE REITERATED HIS UNDERSTANDING OF IDB CRITERIA THAT LEADS HIM TO BELIEVE THAT FSO APPLICATION FROM BAHAMAS UNLIKELY TO BE APPROVED. HE EMPHASIZED THAT WE ARE NOT PREJUDGING THE FSO ISSUES, AND THAT BAHAMAS WOULD CERTAINLY HAVE ACCESS TO ORDINARY CAPITAL. ROBINSON

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